

Due diligence is the first task, and the most important task, to complete before you open your child care business. Due diligence is an investigation and assessment of yourself and the child care industry. Prudent due diligence will prevent you from making bad personal or financial decisions. You have a responsibility to yourself, your family and the children you want to provide care for to do the very best job that you can. Much of the information you gather in the due diligence process can be transferred to your business plan.

Answer the following questions honestly. Use facts and data. Write it down. Do not guess! Understand this list is by no means inclusive. The few hours you spend on this could save you substantial headache and money later on.

**Personal**—Why do you want to open a child care business? What personal attributes do you bring to the child care business? Which of those attributes sets you apart from other providers? Do you have child care experience? How much and of what type? What is your education and training? Do you have the physical and emotional strength to do this long term? (You have an utmost responsibility to the children. It is hard on young children to get bounced around.) Is your spouse's job stable? Will you have enough time for your family? Is your family supportive of your decision?

**Child Care Industry**—Contact other child care operators (more than just 1 or 2) and arrange to visit their home or center. **THESE PEOPLE ARE A GOOD SOURCE OF INFORMATION!** Talk to them about management and business practices. Ask them about hours/week, licensing, number of children in their care, why did they go into child care, stress on family, their skills/training/experience/education, do they use child care management software and if so what, start-up costs, unanticipated costs, child turn-over, employees, are they paying themselves a salary, would they do it again and what would they change.

**Market Analysis**—Is there a need for your service? What is your geographic market area? Who are your customers? How many children and what age groups are in your market area? Will your prices be competitive? (your local CCR&R can provide you with a rate average and county profile) What do you need to do to distinguish yourself from your competitors? Who is your competition and how near are they to you? Do you have reasonable access to discount food and supplies retailers? (Rural providers—if you buy from those discount retailers you must factor in the costs associated with driving to these retailers) A great source of information on some of these questions is your Child Care Resource and Referral agency.

**Finances**—Do you have sufficient capital (money)? What are your start-up costs? (See Start-Up Worksheet) What do you need for operating costs for 60 to 90 days? Are you applying for a loan? Can you service the debt (make the payments) on that loan? (See

Loan Repayment sample under Funding Sources) Do you have sufficient money set aside in case of an emergency?

**Financial Management**—Prepare a budget to determine your potential revenue and expenses for 1 month, 2 months, 3 months and a year. (Here it is OK to speculate but be conservative!) Will you have payroll? Do you understand reporting requirements for Federal and State withholding? State sales tax? Are you familiar with the terms 940, 941, FUTA, FICA, Form W-10, W-4, W-2, I-9, etc.? Will you purchase accounting/financial management software?

**Location and Licensing**—Does your site meet the requirements for space, safety, access, etc. for licensing? Do you have to remodel? Put up a fence? Do you meet the requirements for first aid and safety? Do you have city requirements that may supersede county/state requirements? Get this information from your county licensor. Find your licensor at [www.nd.gov/humanservices/locations/countysocialserv](http://www.nd.gov/humanservices/locations/countysocialserv).

**Marketing**—How will you market/advertise your business? Word-of-mouth? Yellow Pages? Newspaper? CCR&R? Radio/TV? Will you keep a waiting list? Will you regularly contact current and potential customers? How? Will you establish a website?

**REMEMBER**—Success in any small business is dependent on 4 attributes:

- 1—Money Management skills
- 2—Time Management skills
- 3—Marketing Mindset
- 4—Basic Office Organization

*Leading the Way for Child Care in North Dakota*

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